ANNUAL REPORT

PROVINCIAL JUDGES’ PENSION BOARD

FOR THE PERIOD
JANUARY 1, 2022 – DECEMBER 31, 2022

Contents

MESSAGE FROM THE CHAIR

At times, 2022 left us wondering what could happen next. War in the Ukraine, our careful emergence from a worldwide pandemic and rates of inflation we had not seen since 1982; issues seemed to emerge weekly, continuously redefining our priorities. It was against this backdrop that PJPB continued working to define the objectives of our key investment strategies, carefully manage our responses and refine our administration structure to take full advantage of emerging trends.

The Board has always taken its investment responsibilities very seriously, so a key priority for the PJPB in 2022, was to finalize our Investment Management Agreement (IMA) with IMCO, the Plan's strategic asset allocation, and the Statement of Investment Policies and Procedures (SIPP). Since its inception interim provisions of the IMA required the Fund to be entirely invested in low-risk money market accounts. This interim strategy allowed the Board to protect the Funds from volatile markets but long-term returns would not be adequate to support the Plan's funding requirements. Completing this policy framework would allow the Board to begin transitioning the Fund's asset mix to achieve risk adjusted returns and address long-term needs.

Early in the process of establishing the new funding structure, the Board along with the Association of Ontario Judges (AOJ), and Treasury Board Secretariat (TBS) began discussions regarding investment of the Fund and they continued throughout 2022. The situation was complicated by the retirement of the AOJ's representative from the Board in November. As the year ended, the Board concluded it would be prudent to defer key plan decisions affecting investments until 2023 when the process to appoint a new AOJ Representative to the Board might be complete.

Despite these challenges, I was very happy with our progress in 2022. We managed to move several initiatives forward including the implementation of management roles and responsibilities and development of business continuity plan. All while continuing to deliver high quality pension services, and recurring and ad hoc communications with Plan members like the Annual Pension Statement and notice on the per diem rate suspension provisions. A full list of our accomplishments along with commentary appears under the "Year in Review" beginning at page 5 of this report.

In addition, we also adopted policy to help define how we want to interact with stakeholders (PJPB Stakeholder Engagement and Information Sharing policy), and to meet the needs of members and beneficiaries in special situations (Disabled Child Policy update). Documenting these and other policies will help ensure a repeatable, consistent approach is taken by OPB's operational staff, especially when orienting new employees.

Throughout 2022, we sought opportunities to consult our key stakeholders, AOJ, and TBS. As we point out in our business plan, which will be available on the government's agency accountability web page, we believe these consultations will only serve to strengthen our relations with each stakeholder. These discussions demonstrate our commitment to accountability and transparency at this critical stage of implementation.

After serving nearly 2 years of his term Justice Thomas McKay decided to retire as a full-time justice of the Ontario Court of Justice and from his appointment to the Board. Justice McKay was appointed using new provisions of the Plan that require one member of the Board be recommended by the AOJ. He was a highly valued member of the Board and an extraordinary colleague, his insights and enthusiasm for this plan will be missed going forward. His contributions during his term were deeply appreciated.

I was honoured to be able to continue to serve as PJPB Chair in 2022 and I must express my gratitude to my Board colleagues for their invaluable contributions over the period. Their passion, perseverance and breadth of knowledge has helped build a strong governance framework that will serve the members and beneficiaries of this plan well into the future. I also want to acknowledge the AOJ for their enthusiasm and deep commitment to protecting the entitlements of the membership. Moreover, their feedback over the review period has been instrumental in developing meaningful member communications and pension policy.

Finally, on behalf of the Board, I also want to acknowledge the professionalism and support provided every day by the capable staff at Ontario Pension Board, Treasury Board Secretariat, and the Investment Management Corporation of Ontario.

Once again, there is still more work to do to complete the transition to a mature plan design and governance structure and I look forward to new initiatives and accomplishments in 2023.

D. A. Oakley

Deborah A. (Debbie) Oakley
Chair, Provincial Judges Pension Board
September 21, 2023

THE YEAR IN REVIEW

Throughout 2022 the Board's priority was to establish a sound governance framework for the administration of the Plan. The table below summarizes our progress and results over that 12-month period:

Goal	What we said (extract from Business Plan)	What we did	Result
Interim e-communication and fulfillment solution	The APS project highlighted the need for a secure method of electronic communication between the Board and sitting judges. We were grateful to The Chief Justice Office for facilitating electronic delivery of the APS by providing access to their e-mail system. The Board requires a temporary, secure. communication channel until it can establish a permanent solution within OPB's communication infrastructure. We will need to assess options and decide the matter early in 2022 to permit secure delivery of the next APS in September 2022. Ensuring that the Board is in a position to communicate electronically is consistent with government-wide priorities to adopt digital delivery.	Obtained permission to extend an arrangement to access the government's secure e-mail system for the Ontario Court of Justice. Updated the APS package for currency. The package included a communication from the Chair, a guide to the statement and the statement itself. After the project was completed, we conducted a brief satisfaction survey with the recipients. OPB Call Centre and the PJPP Administration Team received additional support to prepare for an increase in client contact.	Delivered 276 digital, password protected, Annual Pension Statements and supporting communications. Delivery was completed using a secure channel trusted by the membership. There were no reported incidents of unauthorized disclosure of personal information. More than 97% of the respondents to the APS survey expressed satisfaction with the content and security. The APS survey collected additional feedback that will be used to improve the next APS in 2023.
Transition to New Strategic Asset Allocation	The Investment Management Agreement (IMA) between PJPB and IMCO includes a schedule of permitted investments and restrictions to be in place until a Statement of Investment Policies and Procedures (SIP&P) is approved. The investment objective of the short-term investment strategy is to provide a highly liquid portfolio of money market securities	Transition was deferred pending resolution discussions between TBS and AOJ. Once the SAA is approved the Board will begin shifting fund assets from the existing investment portfolio toward its selected long-term	Final adoption of the SAA and SIPP has taken longer than expected due in part to consultations between TBS the AOJ. In the meantime, Plan assets continue to be held in IMCO's standard money market strategy

Goal	What we said (extract from Business Plan)	What we did	Result
	comprising predominantly of Canadian Government T-Bills and high-quality short-term securities. The primary focus is on capital preservation and liquidity given the increased level of market volatility and uncertainty due to the ongoing Covid-19 pandemic economic impact. Final adoption of the Strategic Asset Allocation (SAA) and SIP&P will enable the Board to begin shifting fund assets from the existing investment portfolio toward its selected long-term optimal investment portfolio. The Board will need to consider the implementation timeframe required to move to the new asset mix based on ongoing advice and consultation with its expert advisors (AON and IMCO).	optimal investment portfolio. An implementation plan setting out expected timelines required to move to the new asset mix needs to be developed in consultation with IMCO and the Board's independent investment advisor.	on the list of permitted investments. The Plan assets continue to earn investment returns in line with IMCO's standard money market strategy approved in the short-term.
Establish PJPB ESG/Investment Beliefs	Many Canadian and international pension plans have adopted policy to set out how they want to incorporate ESG factors into their investment decision-making. The Board will consider whether to proceed with documenting its ESG/Investment Beliefs in 2022.	In the Fall of 2022, PJPB began discussions with IMCO that included a presentation and Q&A with the Board regarding their approach to ESG. At the same time consultation with AOJ on the topic revealed concerns that addressing the Board's position on ESG might compromise their fiduciary obligations to the members.	The AOJ's view on ESG, reveals the priority the membership assigns to the Board's oversight of the Plan's assets. The Board will need to consider how it can improve communication on investment topics like ESG in the future. The Board recognizes that ESG can support a fiduciary's oversight by providing a helpful framework for assessing investment risk. The Board has not adopted a formal policy view on ESG. The absence of an AOJ Representative on the

Goal	What we said (extract from Business Plan)	What we did	Result
			Board cannot be overlooked, and we look forward to involving a new appointee in this important debate.
Implement OPB Management Roles and Responsibilities	A key issue for the Board during the implementation of Plan redesign was the management structure it required to properly carry out its responsibilities as trustee and plan administrator. Rather than adopting the "distributive" management model that was previously in place and would require its members to perform traditional management functions, the Board favoured consolidating responsibility for plan operations management with OPB. The new SLA between PJPB, OPB and TBS reflects this expanded role. Fees for the new services have increased from initial estimates due to the revised nature of the responsibilities (i.e., OPB assuming a management role) but continue to be provided on a cost recovery basis. In addition to day-to-day responsibility for managing plan operations, programs and activities that require implementation include: ▪ Establishing measures that will allow the Board to assess OPB's performance; ▪ Ongoing policy and procedure development that will document delegations of Board authority and define new administrative processes for OPB; ▪ Delivery of regular strategic and priority updates including risk management;	On a resolution by the Board, the SLA was approved, and the Chair was authorized to sign on behalf of the Board. The SLA defines the services, responsibilities, expectations, and remuneration related to OPB's role in delivering and managing pension administration. Consultations between the PJPB, TBS and AOJ also contributed longer than expected timelines for approval. During this period OPB was remunerated for services at the rates set within the SLA.	The agreement is effective for the 5-year period from October 1, 2022, to October 1, 2027. Initially the fixed fees will be in effect until October 1, 2024, at which point OPB will be able to propose adjustments to PJPB and TBS. In keeping with its commitments to transparency and strengthening stakeholder relations, the Board insisted on consultations with AOJ. AOJ actively participated in this process and played a vital role in defining the Plan's operations. The agreement ensures that PJPB has access to a highly skilled pension administration workforce, systems, and processes to cost effectively administer the Plan and support the Board.

<table>
<tr><th>Goal</th><th>What we said (extract from Business Plan)</th><th>What we did</th><th>Result</th></tr>
<tr><td></td><td>Establishing PJPP Communication Policy;
Agencies and Appointments Directive (AAD) compliant procurement of required service providers (e.g., actuarial, and legal) for the Board;
Ongoing development of governance and operations structures and processes to support PJPB oversight of the redesigned Plan and its funds; and
Ongoing consultation on emerging plan issues and projects.</td><td></td><td></td></tr>
<tr><td>Revise Board Mission and Values statement</td><td>The mandate of the plan has changed, and the existing Mission and Values statements need to be modernized. A restatement of the Mission and Values will inform the Board's Communication policy and will be reflected in the 2023 business plan.</td><td>Board began discussions in the summer of 2022.

The Board reconsidered original plans to engage a consultant to facilitate the initiative, in favour of "in-house" development.

Initial concepts and options were developed with the Board's feedback and compiled into a working document.

The project was reprioritized due to constraints on key Board resources.</td><td>The restated Mission and Values were not required content for the 2023 Business Plan.

The board continued to refine its Mission, Vision, and Values and expects to complete the final version in 2023.

The Board will need to assess its consultation requirements and the effect of the current appointment vacancy on the Board before finalizing the statement.</td></tr>
<tr><td>Develop and approve business continuity plan with service providers (OPB and IMCO)</td><td>The Covid Pandemic struck just as the Board was implementing new governance structures and processes to oversee the Funds and Plan. Our ability to carry out our fiduciary obligations to the members of the Plan was not affected due to OPB's and IMCO's existing business continuity plans that helped</td><td>PJPB has confirmed that its service providers have Business Continuity Plans in place that have processes to notify PJPB and manage incident responses.</td><td>Draft Business Continuity Plan to be presented at March 2023 Board Meeting for feedback.
Final draft submitted to PJPB for approval at June 2023 Quarterly meeting.</td></tr>
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Goal	What we said (extract from Business Plan)	What we did	Result
	mitigate risk during this challenging period. The Board needs to be certain that it can interact effectively with its key service providers when responding to a risk event affecting the Plan's investments, and governance and operations. Establishing a more formal mechanism to assess that capability will support the Board's risk management capabilities.	Work on the PJPB Business Continuity Plan that incorporates key service providers into the overall design, continued through the end of 2022. The project was reprioritized due to constraints on key Board resources.	
Develop IT Electronic Service Delivery Plan including proposal for website development.	The Board considers the development of IT service delivery to be vital for improving our service offerings as well as making progress against government priorities for digital delivery and customer service. We believe that creating a service delivery plan will help define the Board's expectations so we can more effectively explore interim and longer-term solutions that take advantage of OPB's system modernization initiative initiatives and deliver a more cost effective PJPP solution.	PJPB began formal discussions with OPB regarding its options for developing an IT/Communications Strategy. The strategy would involve modernizing the PJPP through technology, communication, and related governance enhancements to performance reporting and workflow tracking, which could be made available through work already being done by OPB. OPB was asked to develop scope, budget, and timelines for enhancements to technology and communications so the PJPB could determine which options were most feasible for this application.	The Board agreed that both a website and a self-service intranet portal would be valuable service enhancements. However, a decision on whether to pursue changes would be dependent upon the cost involved. Under the SLA, the addition of new services would have a financial impact requiring consultation with TBS. Initiatives involving member communications will also need to include AOJ consultation. OPB must assess resource impacts and develop a project timeline in 2023.

Goal	What we said (extract from Business Plan)	What we did	Result
		The Board continued to refine the scope of its request through ongoing discussions with OPB. A budget allocation for the initiative was included in the 2023 Business Plan with project specifics to be prepared in 2023.	
Review and update Board self-assessment program.	Board self-assessment is considered best practice and the PJPB has engaged in a self-assessment process in prior years. The current program needs to be assessed to ensure it is aligned with the Board's expanded mandate. The Board will consider what, if any, adjustments are required for the reconstituted Board.	Self-assessment questionnaire was revised from previous versions and provided to the Board members for completion. Individual responses were kept anonymous. Results were discussed privately among the Board members.	Although the response rate was less than 100% the survey yielded useful information on Board member perceptions. Common themes included satisfaction with the Chair, Board member participation and contributions to strategic planning/issues, service providers, and meetings and materials. Areas requiring attention included: increasing Board member education and decreasing the volume of meeting material.
Assess new Board member orientation needs and develop a formal on-boarding program.	A good Board member orientation program provides new members with important information about the Plan, the Board, and their responsibilities so they can quickly transition into their new role. Currently PJPP Board has several orientation tools available but defining the process will help achieve consistent results for a	In December 2022, using guidance published by the Institute of Corporate Directors (ICD), the Board adopted an orientation process for new appointees.	The process covers ten topics and assigns responsibility for their delivery to one of four sources: The Chair; OPB Plan Executive; Investment Manager; and an operational group (OPB). Each source was chosen with the goal of

Goal	What we said (extract from Business Plan)	What we did	Result
	more efficient transition into their Board role.		providing the new Board member with an opportunity to gain insight on their role as it relates to the specific topic while introducing the Board member to the leaders responsible for delivery of the PJPP work. Each orientation source will be responsible for content delivery. The program will be managed by OPB.
Update performance measurements for service providers according to emerging requirements	The Board needs to consider the effectiveness of current Key Performance Indicators (KPI's) in the redesigned plan setting.	This is an on-going commitment by the Board. New "dashboard" reporting was created in October 2022 and piloted with the Board.	The dashboard style of service reporting was accepted by the Board. The new report combines all service points into a single document for easier comparison by members of the Board. KPI development is continuing.
Complete Annual Actuarial Valuation	The Board is responsible for completing future valuations of the RPP and RCA only. An initial actuarial valuation was prepared for the Provincial Judges Registered Pension Plan as at January 1, 2020. Under the terms of the Plan, valuations must be completed annually, and the next valuation will be prepared as at January 1, 2022. The next valuation for the purpose of funding requirements should be filed	PJPB determined that it is required to prepare annual actuarial valuations of the Plan. The Board decided to move forward with annual valuations that will include all three components of the Plan (i.e., RPP, RCA and SUP).	Valuation results as at January 1, 2021, were presented at the June 2022 Board meeting. Results were for informational purposes only. Until the SAA was approved and a discount rate set, final results could not be provided.

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	with CRA no later than December 31, 2023.	This approach will allow for a complete view of the Plan and help with decision-making on contribution flows between the components. AON, the actuary for the PJPP, was tasked with preparation of an actuarial valuation of the Plan as at January 1, 2021.	In the future the PJPBoard will use its quarterly June meeting cycle to determine whether to file the RPP valuation with CRA.
Annual review of Statement of Investment Policies and Procedures	The PJPB SIP&P document was established voluntarily so the frequency of Board review is not mandated. Plans governed by provincial pension legislation must be reviewed annually as a minimum. The Board will need to clarify its approach.	PJPB was not able to finalize the adoption of the initial SIPP due in part to consultations between TBS and the Association of Ontario Judges (AOJ).	The reason for the delay is that there are ongoing discussions between the AOJ and TBS on what role the AOJ has in strategic decision making. As such, key documents such as the IMA are not being approved until this dispute is resolved. The Plan is not subject to the Pension Benefits Act and as such there no adverse regulatory impact on the Plan or funds for not adopting a SIPP and commencing annual reviews.

OPERATIONAL PERFORMANCE

Delivery of Pensions

In 2022 PJPB continued to deliver high-quality cost-effective services to the Plan's membership. At the end of the year, 353 beneficiaries were receiving either a pension or survivor allowance from the PJPP and 282 full time sitting judges were actively accruing pension entitlements.

In the twelve months ending December 31, 2022, the Board conducted four regular quarterly meetings to consider regular business (e.g., approval of pension payments, operational updates) and special approvals mostly related to governance and redesign implementation. An additional nine working meetings were convened to consider special business related to the implementation or facilitate briefings with key stakeholders.

The Board monitors its service providers through regular reporting on pending and outstanding work at its quarterly meetings. The Board also relies on the quarterly presentation of the PJPP Call Activity Report to assess telephone service delivery performance. These reports facilitate Board oversight of service delivery relative to commitments within the service agreements.

For 2022 the PJPB met or exceeded its client service standards over the period of this report: no application for pension or other benefit from the Plan, or pension estimates, took longer than 60 days in total to process.

Once again there were no requests for adjudication or appeals of decisions made during the reporting period.

At its regular quarterly meetings, PJPB reviewed and approved twenty-five new annual pensions and survivor allowances, all under the new plan provisions that require calculation of the three-tiered pension benefit entitlement. In the reporting period ending December 31, 2022, there were no applications for lump sum payment in respect of a family law settlement, nor were there any refunds of contributions on resignation.

The corresponding annual value of new pensions and survivor allowances approved by the Board for payment was $5.009 million. All pension payments commenced on time and within service commitments.

Annual Cost of Living Adjustments

The Plan provides for annual cost of living increases that are calculated using two different methods. Depending on the judge's eligibility, they may receive either a Consumer Price Index (CPI) adjustment every January 1st or an adjustment based on the Industrial Aggregate Index (IAI)(Canada) given to sitting judges each April 1st. These payments are approved each year by the Board and there are two adjustments in total paid in the fiscal year.

Effective January 1, 2022, the CPI based COLA was calculated as 2.4%. It was applied to a total of 212 pensions and survivor allowances and went into pay as planned on January 22nd. Every individual whose pension was affected received a personalized communication advising of their increase and providing a brief explanation of the COLA calculation.

In October 2022, the Board made escalation adjustments to 139 pensions and survivor allowances to reflect the annual IAI salary adjustments under the Framework Agreement on Judges' Remuneration. Pensions for affected retired provincial judges or their survivors were increased by 1.80% effective April 1st. with retroactive amounts owed paid in a lump sum. The adjusted pensions and retroactive amounts were paid as expected on October 21, 2022.

In addition to the immediate effect on pensions and survivor allowances in pay, the change required recalculation of 10 new pensions for individuals retiring after April 1st effective date and 99 earnings limits for judges continuing to serve in retirement. In total 250 personalized notifications explaining the changes were delivered to affected members.

Sensitivity of Judges Data

Personal information belonging to sitting and retired judges is extremely sensitive and if accidentally disclosed could have a serious effect on the privacy and personal safety of the individual judge. The Board recognizes the special circumstances that apply to judges and requires that OPB ensure personal information is properly secured, especially prior to transmission by mail or electronic means. Member communications containing personal information (e.g., Annual Pension Statement) have been deployed according to OPB's well-established privacy policy and processes. As a result, the Board was able to successfully mitigate the risks associated with a privacy breach.

FINANCIAL PERFORMANCE

Until recently, the Provincial Judges' Pension Plan (PJPP or the Plan) operated as an unfunded Plan, with member contributions held by, and pension payments made entirely from the Province's Consolidated Revenue Fund (the CRF). In 2020 important changes were made to the funding framework, as two components of the Plan, the Registered Pension Plan ("RPP") and the newly created Retirement Compensation Arrangement ("RCA") became funded pension arrangements, with assets being held and invested under newly created trusts. The third component of the Plan, the Supplementary Plan (SUPP), would continue to be funded from the Province's CRF.

Throughout 2022 vital discussions continued between the AOJ, TBS and the Board regarding issues affecting the Plan's adoption of a Statement of Investment Policies and Procedures (SIPP), completion of the long-term Investment Management Agreement (IMA) with the Investment Management Corporation of Ontario (IMCO) and transition to a long-term Strategic Asset Allocation (SAA). While the discussions were on-going the RPP's assets remained invested in Canadian Treasury Bills and high-quality short-term securities; a strategy that is consistent with the interim provisions established within the Board's IMA. The purpose of the approach is to maintain safety and liquidity until the strategic asset allocation can be implemented. As expected, Fund returns for the year were reported as 1.6% (net of expenses) and are reflective of the conservative strategy.

Regular member contributions equal to 7% of salary continued to flow into the RPP and RCA during the reporting period. Member contributions that exceed the maximum amount permitted for an RPP are remitted to the RCA. In 2022 the province contributed just over $3M per month to the RCA as combined special funding and member matching payments. Fifty percent of these payments, along with the member contributions are sent to a Refundable Tax Account with the Canada Revenue Agency.

An initial actuarial valuation was prepared for the Provincial Judges Registered Pension Plan as at January 1, 2020, for the purpose of establishing the Plan's contribution requirements in accordance with the Income Tax Act, until the next actuarial valuation is performed. The valuation was filed with Canada Revenue Agency (CRA) and the actuary's recommendations for employer contributions to the Plan were approved.

Since then, the Board has adopted the practice of preparing annual valuations to monitor the funding framework of the Plan on a regular basis. However, the Plan's lack of invested assets meant an appropriate discount rate could not be established for use in the valuation. Setting a realistic discount rate is vital to achieving the long-term financial health of the Plan and the Board necessarily deferred preparation of the January 1, 2022 valuation.

Under the provisions of the *Income Tax Act* a plan valuation report must be filed with CRA within 4 years of the most recently filed valuation, unless there's a plan amendment affecting funding. The Board did not file a valuation as at January 1, 2022 fiscal year but will need to file a valuation with Canada Revenue Agency by the end of 2023.

The Board is responsible for the administration of the Plan and investment of its funds but has no employees to carry out its responsibilities. Both OPB and IMCO have personnel, facilities, systems, and processes in place to administer all aspects of a pension plan and fund. OPB and IMCO have been named to play key roles in supporting the Board and are providing defined services to the Board on a cost recovery basis. Plan expenses related to RPP and RCA administration are paid from the respective funds. Expenses relating to the SUP are paid directly by the Province. In 2022, total pension administration expenditures ($1.793M) exceeded PJPB estimates ($1.734M) by 3.4%.

OPB is compensated on a fixed fee basis for managing the day-to-day pension administration services required to maintain the Plan's operations. The SLA between PJPB, OPB and TBS, considers the possibility that OPB may be asked to perform additional services in addition to those specified in the agreement. Recent examples include the data validation project and the Annual Pension Statement. These additional expenses may appear as an additional expense allocated among the Funds however, there were no special projects requiring recovery in 2022.

MANDATE ACHIEVEMENTS

The Minister's mandate letter was received in June of 2021. The Board was asked to focus on the following four priorities:

I. Provide effective oversight of the operational, strategic, legal, and financial risks encountered by PJPB and the PJPP, including managing and mitigating the continuing impacts or associated risks of the COVID 19 pandemic;

Comments

Regular reporting is vital to effective risk oversight. Over the review period, the Board continued to track risks through its established Enterprise Risk Management Framework. The Board has established a quarterly risk reporting schedule that is tailored to its needs and there is regular discussion with the Board member assigned to the risk management role.

Business continuity is part of the PJPB risk inventory, and since the Board relies heavily on 3rd parties for operational services, the simplest form of mitigation can be achieved by ensuring that its service providers have well-developed plans. The PJPB's service providers have each confirmed they have processes to notify the Board and manage incident responses as required. In 2022 PJPB also began drafting its own Business Continuity Plan. Implementation is expected in 2023.

II. Provide effective governance and operations structure and processes that support and measure effective administration and performance of the redesigned Plan and its funds;

Comments

Protecting the security of PJPP benefits is a key responsibility of the PJPB, and one way the Board can assess the financial health of the pension promise is to periodically evaluate the funded status of the Plan. In 2022 the Board completed its first actuarial valuation of the Plan since funding redesign was implemented effective January 1. 2020. Regular valuations provide information about the plan's sustainability and can serve as a decision-making tool allowing a Sponsor to anticipate and address emerging funding issues before they can threaten the Plan. The Board is committed to performing annual valuations to ensure effective administration of the Plan and its Funds.

In 2022 OPB piloted a modified performance report with the Board. The updated report now appears in a dashboard format and quickly conveys information about service delivery in the prior quarter. The information is regularly presented at the Board's quarterly meetings and provides a high-level summary of administrative activities and performance over the review period. This initiative provides another tool for the Board to track and assess the effectiveness of the Plan's administration.

III. Provide strong oversight of both the Investment Management Corporation of Ontario (IMCO), in its role in managing assets the PJPB is accountable for, and the Ontario Pension Board (OPB), in its role as management and regarding its service level responsibilities in respect of the PJPP;

Comments

PJPB's relationship with IMCO is defined within the IMA that took effect March 17, 2020. At that time the Board adopted an interim schedule of permitted investments and restrictions to be in place until a strategic asset allocation could be established with the input of the fully represented Board. As a result, the assets were invested in Canadian Treasury Bills to maintain safety and liquidity and there was no change by the end of the fiscal year. Governance structures and processes needed to oversee IMCO's role in managing the assets exist and are sufficient for the time being while discussions between the Sponsor and the AOJ concerning implementation issues continued in 2022. The Board will need to reassess its approach to investment governance once the new strategic asset allocation is adopted.

The Board also completed procurement for an independent investment advisor. Willis Towers Watson Canada Inc. was the successful proponent and will provide consulting services in relation to the development and implementation of the Board's long-term investment strategy. In addition, the Board may turn to WTW to provide support on other investment related matters including governance and oversight of the Board's investment manager, IMCO.

Board oversight was strengthened in 2022 when PJPB established its approach to internal audit and setting its objectives. At the Board's request, OPB presented a schedule of planned internal audits, beginning in 2022, that Deloitte LLP would conduct. It was recognized that many of the internal audits focused on processes that either include PJPP membership or the general operating environment and might be relevant to the administration of the PJPP. This way PJPB could have cost-effective access to internal audit services with the option of engaging separate internal audit services if needed.

IV. Provide superior client service that helps members understand their pension entitlements, rights, and responsibilities under the Plan.

Comments

In 2022, PJPB began formal discussions with OPB regarding its options for developing an IT/Communications Strategy. The strategy would involve modernizing the PJPP administration through technology, communication, and related governance enhancements to performance reporting and workflow tracking, which could be made available through work already being done by OPB.

The Board continues to finalize its strategic vision. At this time there is an expectation that a digital solution should deliver three outcomes: 1) support delivery of superior client service, effective communications, and strong stakeholder relations, 2) support effective and measurable administration and performance of the Plan and Funds, and 3) align PJPP governance and operations with government-wide priorities relating to technology and innovation.

At the Board's request OPB is developing project scope, budget, and timelines for enhancements to technology and communications with decisions to follow in 2023.

The Annual Pension Statement (APS) is an important regular communication tool that provides pension plan members with personalized information about their plan and their current and future entitlements in a digital format. Once again PJPB oversaw delivery of the APS program for active members of the PJPP.

In addition to the pension statement, members also receive an explanatory guide and the option to provide feedback through a survey.

In addition to the APS the Board regularly interacts with the membership through written, verbal, and other digital means. Using OPB's Client Service infrastructure, PJPB can deliver Plan information to members and retirees through several convenient options, including direct contact with OPB Client Care Centre, electronic responses to questions about the plan and regular and ad hoc written communications explaining changes affecting their entitlements or insured benefits.

BOARD OF DIRECTORS

Appointee	Date First Appointed	Current Term Expiry Date	Total Remuneration[1] in Fiscal year	Per Diem Remuneration Rate[2]	Expenses
Deborah Anne Oakley, Chair	October 22, 2009	March 12, 2026	$61,600	$350	N/A
Elizabeth Boyd, Member	April 10, 2013	December 10, 2023	$3,300	$200	N/A
Gus Gatzios, Member	February 27, 2020	February 27, 2025	$4,600	$200	N/A
Kevin Adolphe, Member	April 16, 2020	April 16, 2026	$14,700	$200	N/A
Justice Thomas McKay, Member	January 7, 2021	November 30, 2022[3]	$N/A[4]	$200	N/A

[1] Fiscal Year end was amended in 2021 to December 31st. Remuneration is reported for the 12-month period ending December 31, 2022.
[2] Remuneration rate is set according to Schedule A to the Agencies and Appointments Directive. An increase from Level 1 to Level 2 became effective July 7, 2021, to reflect the Board's additional responsibilities under its expanded mandate.
[3] Justice McKay retired effective November 30, 2022.
[4] As a sitting Judge, Justice McKay is not eligible to receive the per diem remuneration for his work on the Board.

FINANCIAL STATEMENTS – January 1, 2022 to December 31, 2022 - Appendix I

Provincial Judges' Pension Plan

Financial Statements

For the 12 months ended December 31, 2022

Management's Responsibility for Financial Reporting

The financial statements of the Provincial Judges' Pension Plan ("PJPP") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements are in accordance with Canadian accounting standards for pension plans. Of necessity, many amounts in the financial statements must be based on the best estimates and judgment of management with appropriate consideration as to materiality.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records are maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the PJPP.

The Provincial Judges Pension Board (the "PJPB") is ultimately responsible for the financial statements of the PJPP. The PJPB reviews the financial statements in detail with management before such statements are approved. The PJPB meets with management and the Office of the Auditor General of Ontario to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian accounting standards for pension plans. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Mark A Henry
Director, Managed Plans
Ontario Pension Board

June 14, 2023

Armand de Kemp
Vice President, Finance
Ontario Pension Board

June 14, 2023

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Provincial Judges Pension Board and to the President of the Treasury Board

Opinion

I have audited the financial statements of the Provincial Judges' Pension Plan (the Plan), which comprise the statements of financial position as at December 31, 2022, and the statements of changes in net assets available for benefits and the statements of changes in pension obligations for the 12 months then ended, and notes to the financial statements, including a summary of significant accounting policies (together, "the financial statements").

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2022, and the changes in its net assets available for benefits and the changes in its pension obligations for the 12 months then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Plan either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance,

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but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Provincial Judges' Pension Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Provincial Judges' Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
June 14, 2023

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Statements of Financial Position

(in thousands of dollars)	December 31, 2022 RPP	RCA	SUPP	December 31, 2021 RPP	RCA	SUPP
Assets						
Cash	$ 1,088	$ 11,448	$ 95	$ 1,810	$ 11,495	$ 55
Investments (Note 5)	400,480	-	-	404,695	-	-
Contributions receivable						
Members	534	25	-	488	25	-
Province	745	-	-	687	-	-
Other receivables	158	204	7	90	155	1,703
Refundable tax asset (Note 6)	-	46,780	-	-	28,192	-
Total assets	**403,005**	**58,457**	**102**	**407,770**	**39,867**	**1,758**
Liabilities						
Accounts payable	189	155	10	334	279	-
Total liabilities	**189**	**155**	**10**	**334**	**279**	**-**
Net assets available for benefits	**402,816**	**58,302**	**92**	**407,436**	**39,588**	**1,758**
Pension obligation (Note 13)	466,386	456,502	472,172	505,690	480,633	485,383
Deficit	**$ (63,570)**	**$ (398,200)**	**$ (472,080)**	**$ (98,254)**	**$ (441,045)**	**$ (483,625)**

See accompanying notes

Approved on behalf of the Board:

Chair

Member

Provincial Judges' Pension Plan

Statements of Changes in Net Assets Available for Benefits

(in thousands of dollars)	12 months ended December 31, 2022 RPP	RCA	SUPP	9 months ended December 31, 2021 RPP	RCA	SUPP
Increase in net assets						
Investment income (Note 7)	$ 6,556	$ -	$ -	$ 533	$ -	$ -
Bank interest income	-	29	-	-	40	-
Contributions						
Members current service	5,520	562	-	4,006	551	-
Province matching payments	-	562	-	-	551	-
Province funding payments	5,520	36,053	19,480	4,008	26,165	15,327
Increase in net assets	**17,596**	**37,206**	**19,480**	**8,547**	**27,307**	**15,327**
Decrease in net assets						
Benefits paid	21,442	17,843	21,146	15,317	11,981	15,159
Termination payments	-	-	-	519	7	26
Pension administration expenses (Note 8)	649	649	-	563	562	-
Investment management expenses (Note 9)	125	-	-	91	-	-
Decrease in net assets	**22,216**	**18,492**	**21,146**	**16,490**	**12,550**	**15,185**
Increase (decrease) in net assets for the period	**(4,620)**	**18,714**	**(1,666)**	**(7,943)**	**14,757**	**142**
Net assets, at beginning of the period	**407,436**	**39,588**	**1,758**	**415,379**	**24,831**	**1,616**
Net assets, at end of the period	**$ 402,816**	**$ 58,302**	**$ 92**	**$ 407,436**	**$ 39,588**	**$ 1,758**

See accompanying notes

Statements of Changes in Pension Obligations

(in thousands of dollars)	12 months ended December 31, 2022 RPP	RCA	SUPP	9 months ended December 31, 2021 RPP	RCA	SUPP
Pension obligations, at beginning of the period	**$ 505,690**	**$ 480,633**	**$ 485,383**	**$ 488,401**	**$ 468,561**	**$ 461,097**
Increase in pension obligations						
Service accrual	20,802	21,655	24,555	14,322	15,962	17,148
Interest cost	13,141	12,547	12,664	9,509	9,176	9,011
Indexation loss	10,844	11,502	10,426	1,668	1,526	660
Net impact of change in assumptions	-	-	-	6,523	6,895	7,712
Other experience losses	5,036	16,722	22,681	1,103	-	4,940
Increase in pension obligations	**49,823**	**62,426**	**70,326**	**33,125**	**33,559**	**39,471**
Decrease in pension obligations						
Benefits paid	21,442	17,843	21,146	15,836	11,988	15,185
Net impact of change in assumptions	67,685	68,714	62,391	-	-	-
Other experience gain	-	-	-	-	9,499	-
Decrease in pension obligations	**89,127**	**86,557**	**83,537**	**15,836**	**21,487**	**15,185**
Net increase (decrease) in pension obligations	**(39,304)**	**(24,131)**	**(13,211)**	**17,289**	**12,072**	**24,286**
Pension obligations, at end of the period	**$ 466,386**	**$ 456,502**	**$ 472,172**	**$ 505,690**	**$ 480,633**	**$ 485,383**

See accompanying notes

Notes to the Financial Statements December 31, 2022

Note 1: Description of the Provincial Judges Pension Plan

On January 1, 2020, Ontario Regulation 290/13 ("Regulation") was amended to split the Provincial Judges' Pension Plan ("PJPP" or the "Plan") into three different parts: a Registered Pension Plan Trust ("RPP"), a Retirement Compensation Arrangement Trust ("RCA") and a Supplemental Pension Account ("SUPP"). The PJPP is included as an employee future benefit liability within the consolidated financial statements of the Province of Ontario ("Province" or "Plan Sponsor"). The RPP, RCA, and SUPP are not subject to the reporting requirements under the Ontario Pension Benefits Act and Regulations.

The Government of Ontario is the sponsor of all three parts of the Plan. The Provincial Judges Pension Board ("the Board") is the administrator of the RPP and RCA for the purposes of the *Income Tax Act (Canada) R.S.C. 1985* ("Income Tax Act"). The Board is also the trustee of both the trust for the RPP and the trust for the RCA with all powers afforded to the trustee by the respective trust agreements. The Board oversees the administration of the PJPP and, in accordance with applicable law, the pensions, survivor allowances and refunds.

The primary purpose of the Plan is to provide eligible judges with pension in the form of periodic payments following their retirement from full-time service as judges.

RPP

The RPP is registered for income tax purposes and provides for pension benefits up to the limit permitted under the Income Tax Act.

RCA

The RCA pension plan provides supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension permitted under the Income Tax Act for the RPP subject to maximums also under the Income Tax Act.

SUPP

The SUPP supplements the pensions of members whose salaries and benefits provided by the above two components are above the maximum prescribed by the Income Tax Act. The Ontario Minister of Finance ("Minister") is the custodian of the SUPP. Any assets of the SUPP are held within the Consolidated Revenue Fund of the Province of Ontario. A right under this part of the PJPP to a supplemental pension or supplemental survivor allowance is only in respect of service on or after January 1, 1992.

Note 2: Administration of the Plan

The Ontario Pension Board ("OPB") has been jointly selected by the Minister and the Provincial Judges Pension Board to assist the Board in carrying out its responsibilities and assist the Government of Ontario in carrying out its pension administration responsibilities in respect of the Plan.

The *Investment Management Corporation of Ontario Act, 2015* created the Investment Management Corporation of Ontario ("IMCO"), an entity providing investment management and select advisory services to participating organizations in Ontario's broader public sector with the ownership of the investment assets remaining with the participants. The investment management agreement between IMCO and the Board for the management of the RPP and RCA assets was effective March 17, 2020. On March 26, 2020 IMCO began managing the RPP assets.

As of December 31, 2022 and 2021, no assets were held with IMCO for the RCA.

The Board retains responsibility for setting the investment strategy and target asset mix for the RPP's and RCA's investments.

Note 3: Description of the Plan

The following is a brief description of the Plan provided for general purposes only. For more complete information, reference should be made to the Regulation.

Funding Policy

The RPP and RCA are contributory defined benefit pension plans covering eligible judges (members) of the Ontario Court of Justice. The RPP does not require matching contributions from the Province. The RCA requires the Province to contribute an amount at least equal to the RCA contributions from the members. The SUPP is funded by the Province as benefits payments fall due. The benefits and contribution rates are set, and may be amended, by the Plan Sponsor through an Order-in-Council.

Contributions

Each judge is required to contribute 7% of their salary into the RPP and RCA, by way of deduction from the judge's salary, up to the earlier occurrence of either meeting their basic service requirement or attaining 70 years of age.

The Minister ensures that, in respect of each calendar year of service, the portion of each judge's pension contributions that exceeds the dollar limit for pension plan contributions under the Income Tax Act is contributed to the RCA.

The amount to be contributed in a year is based on an actuarial valuation and subject to the limits set out in the Income Tax Act and its regulations.

Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which a member has credit upon ceasing to hold office and is based on the salary of a full-time judge of the highest judicial rank held by the member while in office. The member is entitled to these payments during their lifetime. These payments are sourced from the three components as follows:

RPP

An amount equal to 2% of the judge's average salary, indexed in accordance with the federal Income Tax Regulations, for their final three years of service multiplied by the judge's years of service up to the defined benefit limit or maximum benefit limit.

RCA

An amount equal to 2% of the judge's average salary, indexed in accordance with the federal Income Tax Regulations, for their final three years of service multiplied by the judge's years of service without regard to the defined benefit limit or maximum benefit limit, reduced by the RPP amount.

SUPP

An amount payable to the judge if the pension determined without regard to the defined benefit limit or maximum benefit limit is greater than the amount that is actually paid to the judge under the RPP and RCA plans.

Disability Pension Payments

A disability pension is available at age 65 for members with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness. The annual amount of the pension is the amount that would be payable if the judge had continued in office on a full-time basis until the judge attained 75 years of age and if the pension were determined without regard to the defined benefit limit or maximum benefit limit, reduced by the amount that is actually payable to the judge under the RPP and RCA.

Survivor Allowances

A survivor allowance equal to 60% of the qualifying judge's pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education, or disability criteria defined by the Regulation.

Death Benefits

A death refund can be payable to the personal representative of a member where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the member's contributions to the Plan plus interest, less entitlements already paid out.

Termination Payments

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Plan plus interest.

Escalation of Benefits from the Plan

Judges Retired Before June 1, 2007

The annual inflationary increase for judges who retired before June 1, 2007, is based on changes in the Average Weekly Earnings published by Statistics Canada and subject to a maximum of 7% in any one year and is effective on April 1st every year. In addition, the pensions are adjusted based on the salary increases of sitting judges as recommended by the Provincial Judges Remuneration Commission.

Judges Retired on or After June 1, 2007

The annual inflationary increase for judges who were appointed before June 1, 2007, who retired on or after June 1, 2007, and elected to be paid under the plan provisions effective on that date is based on changes in the Consumer Price Index and is effective on January 1st every year. The same annual inflationary increase is applicable upon retirement for those judges appointed to office on or after June 1, 2007, with no available election.

Note 4: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with Canadian accounting standards for pension plans.

In accordance with Section 4600, "Pension Plans", of the CPA Canada Handbook – Accounting, Canadian Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook – Accounting have been chosen for accounting policies that do not relate to the investment portfolio or pension obligations to the extent that those standards do not conflict with the requirements of Section 4600.

On November 15, 2021, Ontario Regulation 769/21 amended the establishing Regulation of the Plan to change the fiscal year-end date of the Plan from March 31 to December 31. The first financial reporting period after the amendment was for the nine months ending December 31, 2021. The comparative amounts in these financial statements reflect the nine months ended December 31, 2021.

Certain amounts in the comparative financial statements have been reclassified to conform to the presentation of the 2022 financial statements, which separately discloses the indexation loss.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts on the statements of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates. The most significant estimate affecting the financial statements relates to the determination of pension obligations (see Note 13).

Investments

Cash

Cash is held directly by both IMCO (as part of the investment portfolio in a custodian account) and by OPB.

Valuation

Investments are stated at their fair values, including accrued income. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value of financial instruments is determined as follows:

i. Cash and cash held at custodian is recorded at cost, which approximates fair value.

ii. Short-term money market investments such as treasury bills are recorded at cost, with accrued interest or amortized discount or premium, which approximates fair value.

Investment Income

Investment transactions are recorded on the trade date. Investment income includes interest income and realized and unrealized gains or losses. Interest is recognized on an accrual basis when earned. Realized gains or losses are recognized when OPB has transferred to the purchaser the significant risks and rewards of ownership of the investment, the purchaser has made a substantial commitment demonstrating its intent to honour its obligation, and the collection of any consideration is reasonably assured. Unrealized gains or losses are recognized when there is a change in the difference between the fair value and cost of the investment held.

Investment Management Expenses

Investment management fees, transaction costs and other investment-related fees are recognized on an accrual basis. Investment expenses are paid by their respective trusts.

Contributions

Contributions due at the year-end are recorded as a receivable. Transfers into the Plan, if any, are recorded after cash is received. Sponsor contributions to the Plan are made in accordance with the funding requirements as specified by the most recently filed actuarial funding valuation. The PJPP is not subject to Ontario's *Pension Benefits Act* and, as such, there is no minimum required funding contribution by the Province.

Retirement Pension Benefits

Retirement pension payments, commuted value transfers, refunds to former members, and transfers to other pension plans are recorded when paid.

Operating Expenses

Operating expenses are recognized on an accrual basis. Expenses applicable to the RPP and RCA are paid by their respective trusts. All expenses applicable to the SUPP are paid by the Province.

Income Tax Status

The RPP and RCA are registered pension plans, as defined by the Income Tax Act and, accordingly, are not subject to income taxes.

Pension Obligation

Pension obligations are determined based on an actuarial valuation prepared by an independent firm of actuaries using an actuarial valuation report prepared for funding purposes. This valuation uses the projected benefit cost method pro-rated based on service and management's best estimate of various economic and demographic assumptions. The year-end valuation of pension obligations is based on data extrapolated to the current financial statement year-end date.

Note 5: Investments

The RPP's investments managed by IMCO consist of the following:

	December 31, 2022		December 31, 2021	
(in thousands of dollars)	Cost	Fair Value	Cost	Fair Value
Cash at custodian	$ 1,015	$ 1,015	$ 1,841	$ 1,841
Short-term investments				
Canadian treasury bills	399,465	399,465	402,854	402,854
Total investments	**$ 400,480**	**$ 400,480**	**$ 404,695**	**$ 404,695**

Investment Asset Mix

The investment management agreement between IMCO and the Provincial Judges Pension Board dated, and effective March 17, 2020, includes a schedule of permitted investments and restrictions to be in place until a Statement of Investment Policies and Procedures has been approved.

Permitted investments include treasury bills issued by the Federal Government of Canada, Canadian provincial treasury bills and promissory notes, and debt issued by agencies guaranteed by the Federal Government of Canada.

Additionally, the following specific investment restrictions apply:

- Fund weighted average maturity limit: 180 days
- Individual security maximum term to maturity: less than 365 days
- Maximum allocation to single agency guaranteed by the Federal Government: 20% of assets at market value
- Minimum allocation to Federal Government of Canada treasury bills: 40% of assets at market value

Fair Value Hierarchy

Canadian accounting standards for pension plans require disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds; hedge funds; Government of Canada, provincial and other government bonds; Canadian corporate bonds; and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes investments in real estate properties, infrastructure and private equity, and securities that have liquidity restrictions.

All investments held as of December 31, 2022 and 2021, are Level 2 investments. There were no transfers between levels during the period ended December 31, 2022 or 2021.

Note 6: Refundable Tax Asset

Contributions made to the RCA, as well as investment income and net capital gains earned within the RCA, net of distributions, are taxed at a 50% rate under the Income Tax Act. New contributions are taxable at the time the contribution is made. Investment returns earned within the RCA component are assessed as at December 31 each year. The remitted tax amounts are held by the Canada Revenue Agency as a non-interest-bearing deposit. These tax amounts are refundable when distributions are made from the RCA component of the Plan to the beneficiaries of the retirement compensation arrangement.

Note 7: Investment Income

Investment income is made up of the following:

(in thousands of dollars)	12 months ended December 31, 2022 RPP	9 months ended December 31, 2021 RPP
Interest income	$ 7,559	$ 466
Realized gains (losses)	(1,003)	67
Total investment income	**$ 6,556**	**$ 533**

Note 8: Pension Administration Expenses

The following is a summary of the expenses incurred by the Plan related to services provided by Ontario Pension Board.

	12 months ended December 31, 2022			9 months ended December 31, 2021		
(in thousands of dollars)	RPP	RCA	SUPP	RPP	RCA	SUPP
Pension administration and IT	$ 526	$ 526	$ 372	$ 493	$ 492	$ 377
Insurance	44	44	44	23	23	23
Actuarial fees	29	29	29	17	17	17
Legal expenses	45	45	45	27	27	27
IT external services	1	1	1	-	-	-
Pension payroll processing charges	4	4	4	2	2	2
Other professional services	-	-	-	1	1	1
Expenses paid by the Province[1]	-	-	(495)	-	-	(447)
Total pension administration expenses	**$ 649**	**$ 649**	**$ -**	**$ 563**	**$ 562**	**$ -**

[1] The SUPP administration expenses are fully paid by the Province (Note 14).

Note 9: Investment Management Expenses

The following is a summary of the expenses incurred by the Plan related to services provided by IMCO. The RPP pays its share of IMCO's expenses on a cost recovery basis. These costs are funded through cash held in custody with CIBC Mellon.

(in thousands of dollars)	12 months ended December 31, 2022 RPP	9 months ended December 31, 2021 RPP
Management fees	$ 70	$ 50
Implementation fees	41	22
Custodial fees	14	19
Total investment management expenses	**$ 125**	**$ 91**

Note 10: Risk Management

The Plan is subject to financial risks as a result of its investing activities that could impact its cash flows, income, and assets available to meet benefit obligations. These risks include market risk (including interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk. These risks have not changed from the prior year.

The Board has delegated the investment of substantially all of the Plan assets to IMCO, which may further sub-delegate to other investment managers and service providers. IMCO must act in accordance with any written directions of the Board as well as all applicable IMCO policies. In investing the assets of the Plan, IMCO must comply with the investment management agreement, IMCO's internal policies and all relevant laws and regulations.

Market Risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market factors. Market risk is comprised of the following:

(i) **Interest rate risk** – Interest rate risk refers to the effect on the fair value of the Plan's assets and liabilities due to fluctuations in market interest rates. The value of the Plan's investments is affected by changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates and inflation.

(ii) **Foreign currency risk** – Foreign currency exposure arises from the Plan holding foreign currency denominated investments and entering into contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments. As at December 31, 2022 and 2021, the RPP's investments and cash are all in Canadian dollars and therefore not exposed to foreign currency risk.

(iii) **Other price risk** – Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. As at December 31, 2022 and 2021, the RPP's investments are all in Government of Canada treasury bills and therefore have little exposure to other price risk.

Credit Risk

The Plan is exposed to credit risk through the risk of loss arising from an issuer defaulting on its obligations, or the risk of a market decline resulting from the issuer's deterioration in credit quality. As at December 31, 2022 and 2021, the Plan's greatest credit exposure is with the Government of Canada in the form of treasury bills.

Liquidity Risk

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its pension obligations and operating expenses as they become due. The typical cash requirements of the Plan are in the form of monthly retirement benefit payments as well as periodic termination and other benefit payments and expenses. As at December 31, 2022 and 2021 the Plan's investments are held in Government of Canada treasury bills which are highly liquid.

Note 11: Collateral

As of December 31, 2022 and 2021, the RPP had no collateral pledged or received and no security lending agreements.

Note 12: Commitments and Guarantees

As of December 31, 2022 and 2021, the Plan had no commitments or guarantees.

Note 13: Pension Obligation

Funding Valuation

An actuarial valuation was prepared for the RPP as at January 1, 2020 by Aon, the Plan's appointed actuary, for the primary purpose of establishing contribution requirements in accordance with the Income Tax Act. The valuation was prepared in accordance with Ontario Regulation 290/13. The valuation was prepared based on data as at March 31, 2019 with liabilities and current service cost calculated as of March 31, 2019 and extrapolated to January 1, 2020. The next actuarial valuation will be performed no later than December 31, 2023.

The valuation determined the maximum eligible contribution to the RPP under the Income Tax Act. The RPP is not subject to the provisions of the Pension Benefits Act. As such, there is no minimum required contribution to the RPP. The valuation was prepared using the projected unit credit cost method. For the initial valuation, the liabilities were determined using a discount rate equal to the Ontario Financing Authority's 20-year borrowing rate as at March 31, 2019. As at January 1, 2020, the liability associated with the RPP was $426,891,000.

Significant assumptions used in the RPP's actuarial funding valuation were as follows:

Assumptions	January 1, 2020
Economic Assumptions	
Increase in Consumer Price Index (Inflation)	1.40%
Increase in Income Tax Act maximum pension limit	2.15%
Increase in pensionable earnings	2.40%
Discount rate	3.10%
Productivity increases	0.75%
Expenses	No allowance for expenses
Demographic Assumptions	
Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI 2017

Financial Statement Valuation

For the purposes of these financial statements, Aon, the Plan's actuary, used the member data as at December 31, 2021 on the basis of the accounting methodology required by the CPA Canada Handbook – Accounting, Section 4600 and extrapolated those liabilities using current service cost and actual benefit payments to December 31, 2022. The obligations were determined using the projected unit credit prorated on service method. The total RPP, RCA, and SUPP pension obligations under this method for pension benefits payable under the Plan was $1,395,060,000 (December 31, 2021 – $1,471,706,000). This obligation is allocated and presented for each component of the Plan in the statements of financial position.

The indexation loss is due to actual inflation in 2023 being greater than the prior year actuarial assumption. Net experience losses in the RPP for 2022 are primarily due to losses from the Income Tax Act maximum pension increase being greater than expected. Net experience losses in the RCA and SUPP are primarily due to losses from actual salary increases being greater than expected.

The net impact of change in assumptions is the effect of losses from an increase of 0.20% in the underlying inflation rate offset by gains from an increase of 1.20% in the discount rate.

Significant assumptions used in the financial statement valuation for the Plan are shown below. The discount rate has been set based on the average of the 20-year and 30-year Ontario Financing Authority borrowing rate for December 2022. The inflation rate has been determined based on the difference in yields between long-term Government of Canada nominal and real return bonds for December 2022.

Assumptions	December 31, 2022	December 31, 2021
Economic Assumptions		
Increase in Consumer Price Index (Inflation)		
2023	6.30%	1.80%
2024 and thereafter	2.00%	1.80%
Increase in Income Tax Act maximum pension limit	2.75%	2.55%
Increase in salaries	3.00%	2.80%
Nominal discount rate	3.80%	2.60%
Demographic Assumptions		
Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI-2017.	

Note 14: Related Party Transactions

The Government of Ontario is the sponsor of the Plan.

As the Plan administrator, the Board is assisted by OPB in carrying out its responsibilities. OPB administers payroll and benefits for Plan members and assists the Government of Ontario in carrying out its responsibilities in respect of the SUPP. OPB provides these services on a cost recovery basis. The SUPP administration expenses are fully paid by the Province (Note 8).

IMCO manages the RPP's investment assets. The PJPP pays its share of IMCO's operating expenditures on a cost recovery basis (Note 9). Custodial fees are paid by IMCO on the PJPP's behalf.

Note 15: Capital Management

The Plan defines its capital as the funding surpluses or deficits determined periodically through the funding valuations prepared by the independent actuary. The actuary's funding valuation is used to measure the long-term health of the Plan. The Plan Sponsor determines the level of funding payments. Any resulting deficit is guaranteed by the Plan Sponsor. There have been no changes in what the Plan considers to be its capital and there have been no significant changes to the Plan's capital management objectives, policies, and processes during the 12 months ended December 31, 2022.